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EDITORIAL:

Tax-cut bill gets uglier as House, Senate confer

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A House-Senate conference committee is hard at work in Washington this week applying a legislative hot glue gun to a tax bill.

By grabbing a portion of a capital gains cut here, a stock dividend cut there and a pinch of fiscal relief for the states, Republican tax writers hope they can put something they can call a "stimulus package" on the president's desk by next week.

From what is known about the process, it's not going well. With the federal budget deficit rising well past record levels, it would make much more sense to have no tax cut at all. This is especially true if the tax bill ends up being a bunch of half measures that meet no one's definition of "stimulus."

The Senate - with the support of Maine Sen. Susan Collins - sent an absurd piece of tax legislation to conference last week. To squeeze President Bush's idea of eliminating the tax on corporate dividends into the 10-year, \$350 billion tax-cut ceiling approved earlier, the Senate resorted to a gimmick. In the Senate bill, the dividend tax cut is first phased in, then immediately repealed, so that the 10-year price tag isn't too high.

To secure the votes of Collins and other key senators, the Senate package includes \$20 billion in fiscal relief for the states. That money will be helpful to the states, but any good that comes from it will be overwhelmed by the harm caused should anything like the dividend tax gimmick become law.

For its part, the House passed a \$550 billion package that included a

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cut in capital gains taxes.

Now Republican leaders are trying to make sense of it all in conference. Reports Tuesday had them considering a stimulus package of \$400 billion over 10 years with the president's blessing. Such a package is immediately in trouble. It's not likely to win the votes of Maine Sen. Olympia Snowe or of two other Senate Republicans who have vowed to stick to the \$350 billion figure.

The conference was also considering merging the dividend and capital gains cuts ideas and getting rid of a Senate proposal to close corporate tax loopholes to help offset the impact of the package on the deficit.

Something really ugly is emerging from this process - something not worthy of support by Snowe or Collins.

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